

August 30, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Update

As the scheduled recess time of midnight Saturday approaches, there are signs of movement towards a possible compromise. In an effort to prod the Legislature to pass a budget before the recess, the Governor threatened to call a special session starting next Tuesday. According to *The Los Angeles Times*, he also indicated that they were working to secure the fourth Republican vote.

The Sacramento Bee reported that negotiations between the caucuses in the Assembly were continuing and that Republicans had indicated they could "stomach" about \$2 billion in revenue enhancements and Democrats were ready to accept another \$1 billion in cuts, which would leave the budget solution about \$1 billion short. While Democrats were willing to reduce the size of the cigarette tax increase, Republicans were insisting that it be dropped altogether. A possible way out of this deadlock appeared in the Senate on Wednesday when the leadership amended AB 1105 (Oropeza) to restore the provisions of the 1998 VLF compromise that authorized the Director of Finance to determine if there were sufficient State general funds to pay the VLF backfill and to require an increase in the VLF rate in the event that there is not. If AB 1005 were to become law (it is a majority vote bill), the Davis Administration could implement the January 1, 2003 VLF increase proposed in the May Revision without a vote of the Legislature. The resulting revenue, if the original 25 percent reduction is retained, would be \$1.2 billion in FY 2002-03. AB 1105 is on the Senate floor. Assembly Republicans protested that it would be unconstitutional to raise taxes without a two-thirds vote of the Legislature and have threatened to go to court if the measure passes.

In a related development, **AB 3007 (Committee on Budget)**, was amended in the Senate to make certain changes in trailer bills already approved by the Senate. Changes of interest to the County include limiting the property tax transfer by redevelopment agencies to the educational revenue augmentation fund to FY 2002-03 and a requirement that local agencies that use funds received from the California Department of Transportation to buy street or highway signs must solicit at least two bids from manufacturers, and the product must be from the Caltrans Qualified Product List. The bill passed the Senate yesterday on a 24 to 0 vote.

Pursuit of County Position

County-sponsored SB 238 (Kuehl) was amended on August 30, 2002 to authorize the County to construct and operate a new regional library for the East San Gabriel Valley at Schabarum Regional Park. The bill would make it possible to use State bond funds for the project. Consistent with the Board action of April 11, 2002 approving this project, **our Sacramento advocates will pursue passage of the bill**, in cooperation with the Department of Parks and Recreation and the County Library.

SB 1619 (Romero, Sher), would require the California Integrated Waste Management Board (Board) to provide grants to local governments to establish and maintain local programs for diversion, disposal, or recycling of cathode ray tubes (CRT). SB 1619 requires the Board to include incentive payments to CRT material handlers that collect and process CRTs, grants to nonprofit agencies that recycle and refurbish CRTs, and grants to manufacturers of CRTs to encourage consumers to return the devices for processing. SB 1619 also requires the Board to establish a public information program to educate the public on the hazards of improper CRT device storage or disposal and on the opportunities to recycle CRT devices.

According to the Department of Public Works (DPW), due to a recent change in regulations by the State Department of Toxic Substance Control, e-waste (televisions, computer monitors, etc.) is considered hazardous waste and cannot be disposed of in sanitary landfills. Therefore, DPW is expanding their household hazardous waste program to accept e-waste effective October of 2002. SB 1619 would benefit the County by requiring the Waste Management Board to fund collection and management of e-waste, thus helping the County to meet its 50 percent reduction goal. DPW recommends that the County support SB 1619. Support of SB 1619 is consistent with County policy to support increased flexibility for local agencies to meet waste reduction goals. **Therefore, our Sacramento advocates will support SB 1619.**

SB 1647 (Perata), the California Economic Stimulus and Public Infrastructure Security and Investment Bond Act, would authorize, upon approval by the voters, the issuance of \$1.045 billion in general obligation bonds for improvements in local infrastructure, seaport and airport infrastructure, air quality, water infrastructure, water safety, and water conservation.

SB 1647 identifies Los Angeles County as one of nine regions eligible for up to \$75 million in competitive grants for projects such as neighborhood residential and commercial infrastructure, infill development, and transit oriented development. SB 1647 would also allocate \$10 million for grants to public agencies for equipment that enhances the ability of public safety agencies to manage terrorist or other attacks, \$70 million for port and harbor security, \$80 million for navigation related infrastructure including dredging projects, \$80 million for transportation infrastructure to fund rail, inter-modal access, road, or related infrastructure improvements, \$50 million for air pollution reduction, and \$80 million for water related infrastructure. The County would be able to compete for grants in each category. The bill is consistent with existing policy to promote economic recovery through critical infrastructure projects and to secure funding for emergency preparedness and response. **Therefore, our Sacramento advocates will support SB 1647.** The bill is on the Assembly floor.

SB 1732 (Escutia) would enact the recommendations of the State Task Force on Court Facilities to provide for the transfer of trial court facilities to the State over three years. The bill creates a process to manage the transfer, raises penalty assessments and parking offense penalties and creates a civil fee surcharge, and deposits the proceeds in a fund to be used for the acquisition, rehabilitation or construction of court facilities. The bill was recently amended to address concerns raised by counties, especially regarding representation on the Dispute Resolution Board which will oversee the transfer process. The Board would now consist of just three members representing the Department of Finance, the Administrative Office of the Courts, and the California State Association of Counties.

SB 1732 is consistent with existing Board policy to “support measures which would increase the State’s participation in trial court funding through the assumption of responsibility for financing court facility construction and maintenance.” **Therefore, our Sacramento advocates will support the bill’s passage.** The bill is on the Assembly Floor. The bill is jointly sponsored by the California State Association of Counties and the State Judicial Council. It is opposed by the California State Automobile Association and the Automobile Club of Southern California.

Status of County Interest Bills

County-supported in concept AB 1421 (Thomson), passed the Senate on August 28, 2002, and is back in the Assembly for concurrence. It would create an assisted outpatient treatment program for certain mentally ill persons.

County-supported AB 2314 (Thomson) passed the Assembly on August 28, 2002, and was sent to the Governor. The measure seeks to standardize all nursing prerequisites on a statewide basis by requiring the Chancellors of the California Community Colleges to encourage community college districts, and the Chancellor of the California State University (CSU) to require its campuses to work toward that goal.

County-opposed AB 1847 (Correa) passed the Assembly on August 27, 2002, and was sent to the Governor. This measure mandates that peace officers who become ill after exposure to a biochemical substance have a presumption that the illness arose out of and in the course of employment and are, therefore, eligible for disability retirement.

County-opposed SB 1351 (Chesbro), which would mandate disability benefits for county welfare fraud investigators, entitling them to public safety workers' compensation benefits, recently passed the Senate and is on the Governor's desk.

Legislative Analyst's Office (LAO) Report on Congressional Welfare Reform Proposals

The LAO released the attached report yesterday entitled "Fiscal Effect on California: Congressional Welfare Reform Reauthorization Proposals." The report notes that the House version of welfare reform reauthorization would cost California about \$2.2 billion over the next five fiscal years, largely because of the increased work participation requirements. Conversely, the Senate's version would result in net savings of \$140 million over the same time frame because of new federal dollars for child care.

Both the House and the Senate bills increase the statewide participation rate requirement from 50 percent to 70 percent by FFY 2007 but differ in terms of the number of hours of participation required of individual families. Current Federal law requires single parents with child under age six to work 20 hours per week, single parents with older children to work 30 hours per week and two-parent families to work 35 hours per week. The House bill increases the work requirement to 40 hours for all families while the Senate version proposes no change from current law.

Both proposals freeze block grant funding through FFY 2007. With regards to the TANF Contingency Fund, existing law makes available \$2 billion in matching grants to “needy” states in the event of a recession. To qualify, states must increase MOE spending. Both proposals maintain the \$2 billion in the Contingency Fund but the Senate version eliminates the increased MOE spending requirement and increases the Federal match for certain states including California.

The Senate version provides California an increased \$103 million annually in child care funding in comparison to \$26 million annually in the House version. Furthermore, the Senate version increases the Social Services Block Grant (SSBG) funding by \$252 million in FFY 2005 of which California would receive approximately \$30 million. The House version does not increase SSBG funding.

Existing Federal law prohibits the use of TANF funds for legal immigrants who have lived in the United States for less than five years. The Senate version gives states the option to use TANF funds for all legal immigrants. The House version does not.

In order for California to implement the House bill, the LAO assumed that California would need to invest \$1.5 billion in employment services and \$1.2 billion in child care. These costs would be offset by \$500 million in grant and administrative savings. Under the Senate’s plan, the LAO assumed that employment services costs would rise by about \$180 million, child care costs would increase by about \$130 million, and grants, services, and administrative costs would increase by \$225 million. However, these costs are substantially offset by \$420 million in new federal child care funding over five years.

The report points out that because California’s TANF reserve is only \$60 million, the State would have only two options to meet the fiscal requirements in the House’s proposal. The first option would be to fund the higher costs from the State General Fund and spend above the State’s MOE requirement. The second would be to shift funding within the program from cash grants to recipients to employment services and child care. The LAO estimates that in FFY 2005, grants would need to be reduced by about 17 percent to fund increased child care and employment services costs.

Both proposals have significant fiscal and programmatic implications for California, The LAO encourages the Legislature to advise California’s Congressional delegation of its priorities as negotiations continue on welfare reform reauthorization

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We will continue to keep you advised of any new developments.

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JR:lm

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants